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PM/DTP:AHOROWITZ PM/PRO:RCRESSEY  
EAP/ANZ:JBUCZACKI EB/STA:CJACKSON  
P:JSTROTZ T:GDUNN L/PM:AJOYCE  
EB/OCA:RPRICE S/S: S/S-0:

BEIJING, BONN, CANBERRA, STOCKHOLM

GUANGZHOU, HONG KONG, PARIS, ZEN/SHANGHAI POUCH,  
ZEN/SHENYANG POUCH

E.O. 12356: DECL: OADR

SUBJECT: PRESIDENTIAL DECISION ON EXPORT LICENSES FOR  
AUSSAT, FREJA AND DFH-3 SATELLITE PROJECTS

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SCIENTIFIC SATELLITE, FREJA, AND REAFFIRMED HIS DECEMBER 1989 DECISION TO ALLOW EXPORT OF TWO U.S.-ORIGIN SATELLITES TO CHINA FOR AUSSAT, AN AUSTRALIAN TELECOMMUNICATIONS PROJECT. IN ADDITION, HE HAS DECIDED NOT TO APPROVE LICENSES TO EXPORT SATELLITE COMPONENTS CONTAINED ON THE U.S. MUNITIONS LIST FOR THE CHINESE DFH-3 SATELLITE PROJECT.

3. (U) LICENSES OF U.S. TECHNOLOGY FOR THESE THREE PROJECTS HAVE BEEN HELD UP BY SANCTIONS CONTAINED IN THE FOREIGN RELATIONS AUTHORIZATION ACT, FY 1991-92 (FRAA). LICENSING OF SATELLITES, THEIR COMPONENTS AND ASSOCIATED TECHNOLOGIES TO CHINA IS CURRENTLY SUSPENDED UNDER SECTION 902(A) OF THE FRAA, WHICH SUSPENDS LICENSES FOR EXPORT TO CHINA OF ARTICLES ON THE U.S. MUNITIONS LIST (USML) AND OF U.S. SATELLITES FOR LAUNCH ON CHINESE ROCKETS. UNDER SECTION 902(B) OF THE FRAA, THE PRESIDENT MAY WAIVE THESE SUSPENSIONS IF HE REPORTS TO CONGRESS THAT IT IS IN THE NATIONAL INTEREST OF THE U.S. TO DO SO OR IF CHINA MAKES SUBSTANTIAL PROGRESS IN SPECIFIC AREAS OF POLITICAL REFORM, MAINLY IN THE AREA OF HUMAN RIGHTS.

DONG FANG HONG 3 (DFH-3)  
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4. (LOU) THE DFH-3 IS A CHINESE DOMESTIC COMMUNICATIONS SATELLITE BEING ASSEMBLED IN CHINA WITH A GERMAN PARTNER (M88). THE SATELLITE WAS TO CONTAIN SEVERAL U.S.-ORIGIN COMPONENTS ON THE USML. THE DEPARTMENT, AS THE AGENCY CHARGED WITH ADMINISTERING USML LICENSING, WAS NOT ABLE TO RECOMMEND THAT THE PRESIDENT GRANT A NATIONAL INTEREST WAIVER IN THIS CASE. IN CONTRAST TO THE AUSSAT AND FREJA SATELLITES, THE DFH-3 SATELLITE WILL PRIMARILY BENEFIT CHINESE END-USERS, AND THE CHINESE MILITARY IS INVOLVED IN THE PROJECT, CONTROLLING ACCESS TO THE SATELLITE GROUND STATIONS.

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6. {U} THE AUSSAT SATELLITE PROJECT WILL LAUNCH TWO U.S.-BUILT TELECOMMUNICATIONS SATELLITES FROM CHINA IN 1991-92. THE END-USER IS A QUASI-GOVERNMENTAL AUSTRALIAN COMPANY SOON TO UNDERGO A CHANGE IN OWNERSHIP AS PART OF AUSTRALIA'S PLAN TO PRIVATIZE ITS COMMUNICATIONS INDUSTRY. TWO U.S.-LED CONSORTIA ARE AMONG THE LEADING BIDDERS FOR THE COMPANY. EXPORTS FOR THE PROJECT WILL RESULT IN SUBSTANTIAL REVENUE FOR U.S. FIRMS -- MORE THAN DOLLARS 230 MILLION. EXISTING LICENSES FOR THE SATELLITES HAVE EXPIRED, NECESSITATING ADDITIONAL LICENSES TO ALLOW THE PROJECT TO COMPLETE THE LAUNCHES. THE PRESIDENT'S DECISION TO PERMIT EXPORTS FOR THE AUSSAT PROJECT REAFFIRMS HIS DETERMINATION, MADE IN 1989 IN THE CONTEXT OF WAIVING EARLIER LEGISLATIVE SANCTIONS, THAT THE SALES ARE IN THE U.S. NATIONAL INTEREST.

FREJA

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7. {U} THE FREJA SATELLITE IS A SMALL SATELLITE DESIGNED BY THE SWEDISH SCIENCE CORPORATION FOR RESEARCH ON AURORA AND OTHER MAGNETOSPHERIC PHENOMENA. THE SATELLITE WILL BE USED BY CIVILIAN SCIENTISTS IN SWEDEN, THE U.S., CANADA, GERMANY AND FINLAND. IT IS UNDER CONSTRUCTION IN GERMANY AND WILL INCLUDE SOME U.S.-CONTROLLED COMPONENTS AND TECHNOLOGY, WHICH REQUIRE RE-EXPORT AUTHORIZATION FOR TRANSFER TO CHINA. TECHNOLOGY SAFEGUARDS FOR THE PROJECT ARE BASED ON SAFEGUARDS USED FOR PREVIOUS LAUNCHES OF U.S. SATELLITES FROM CHINA. THE VALUE OF U.S. EXPORTS FOR THE FREJA PROJECT AMOUNTS TO MORE THAN DOLLARS 10 MILLION.

#### RATIONALE FOR LICENSING

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8. {LOU} THE U.S. IS WILLING TO PERMIT EXPORTS FOR THE AUSSAT AND FREJA SATELLITES BECAUSE THERE WILL NOT BE ANY TRANSFER OF MISSILE-RELATED OR SENSITIVE SATELLITE TECHNOLOGY TO CHINA AS A RESULT OF THESE LAUNCHES AND THE EXPORTS WILL BENEFIT MAINLY U.S. EXPORTERS, SCIENTISTS AND ALLIES. STRINGENT SAFEGUARDS APPROVED BY THE U.S. GOVERNMENT WILL PROTECT AGAINST TRANSFER OF SENSITIVE U.S. TECHNOLOGY TO THE CHINESE DURING LAUNCH. NON-CHINESE ENTITIES WILL REMAIN IN CONTROL OF THE SATELLITES AT ALL TIMES AND WILL OPERATE THEM AFTER LAUNCH. NEITHER THE AUSSAT NOR FREJA SATELLITE LAUNCHES RAISE CONCERNS UNDER OUR BILATERAL AGREEMENT WITH CHINA ON TRADE IN COMMERCIAL

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LAUNCH SERVICES.

9. {U} FOR ALL POSTS: THE FOLLOWING TEXT OF THE PRESIDENTIAL STATEMENT ON THIS DECISION SHOULD BE PROVIDED TO APPROPRIATE HOST GOVERNMENT OFFICIALS. BEGIN TEXT.

THE WHITE HOUSE  
OFFICE OF THE PRESS SECRETARY

FOR IMMEDIATE RELEASE  
APRIL 30, 1991

STATEMENT BY THE PRESS SECRETARY

THE PRESIDENT HAS DECIDED NOT TO APPROVE A REQUEST TO LICENSE THE EXPORT OF U.S. SATELLITE COMPONENTS TO CHINA FOR A CHINESE DOMESTIC COMMUNICATIONS SATELLITE, THE DONG FANG HONG 3 {DFH-3}. THE PRESIDENT MADE THIS DECISION BECAUSE CERTAIN ACTIVITIES OF CHINESE COMPANIES RAISE SERIOUS PROLIFERATION CONCERNS.

THE UNITED STATES HAS UNDERTAKEN A MAJOR WORLDWIDE EFFORT TO COMBAT THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION, PARTICULARLY TO REGIONS OF INSTABILITY. WE TAKE THIS ISSUE VERY SERIOUSLY, AND THE PRESIDENT'S DECISION NOT TO APPROVE SATELLITE LICENSES IN THESE CIRCUMSTANCES UNDERSCORES THE IMPORTANCE ATTACHED TO PROLIFERATION.

THE UNITED STATES IS CURRENTLY ENGAGED IN AN INTENSIVE DIALOGUE WITH CHINA ON PROLIFERATION ISSUES, AIMED AT ENCOURAGING CHINA TO OBSERVE INTERNATIONALLY ACCEPTED GUIDELINES ON MISSILE AND MISSILE-RELATED TECHNOLOGY EXPORTS. THE CHINESE GOVERNMENT HAS STATED THAT IT WILL BE PRUDENT AND RESPONSIBLE IN ITS SALE OF MISSILE TECHNOLOGY. WE WILL BE DISCUSSING OUR CONCERNS ABOUT THE ACTIVITIES OF THE CHINESE COMPANIES INVOLVED IN DONG FANG HONG WITH THE CHINESE GOVERNMENT.

U.S. SATELLITES, THEIR COMPONENTS AND ASSOCIATED TECHNOLOGIES ARE INCLUDED IN THE U.S. MUNITIONS LIST AND REQUIRE LICENSES FOR EXPORT TO CONTROLLED DESTINATIONS, INCLUDING CHINA. UNDER SANCTIONS CONTAINED IN THE FOREIGN RELATIONS AUTHORIZATION ACT, FY 1990-91, LICENSING OF THESE EXPORTS IS PROHIBITED UNLESS THE PRESIDENT DETERMINES IT TO BE IN THE NATIONAL INTEREST. GIVEN OUR PROLIFERATION CONCERNS, IT WOULD NOT HAVE BEEN APPROPRIATE TO WAIVE THE LEGISLATIVE PROHIBITION FOR THE DONG FANG

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HONG.

AT THE SAME TIME, THE PRESIDENT DECIDED THAT IT IS IN THE NATIONAL INTEREST TO WAIVE LEGISLATIVE RESTRICTIONS ON EXPORTS FOR TWO OTHER PROJECTS, AUSSAT AND FREJA, THAT WILL LAUNCH SATELLITES FROM CHINA. THE TWO U.S.-BUILT AUSSAT SATELLITES WILL PROVIDE NEEDED COMMUNICATIONS SERVICES FOR OUR ALLY AUSTRALIA. THE PRESIDENT HAD PREVIOUSLY WAIVED LEGISLATIVE SANCTIONS AGAINST LAUNCHES FROM CHINA FOR AUSSAT, BUT THE PROJECT REQUIRED ADDITIONAL EXPORT LICENSES. THE PRESIDENT WAS CONCERNED THAT WE LIVE UP TO OUR EARLIER COMMITMENT TO ALLOW AUSTRALIA TO PROCEED WITH THIS PROJECT. THE SWEDISH FREJA SATELLITE, A SMALL SCIENTIFIC SATELLITE, WILL BE USED BY CIVILIAN ATMOSPHERIC RESEARCHERS IN THE U.S., SWEDEN, CANADA, GERMANY AND FINLAND.

END TEXT.

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13. {LOU} FOR STOCKHOLM: WE ARE NOT AWARE OF SPECIFIC  
GOS INTEREST IN THIS CASE, BUT YOU MAY WISH TO PROVIDE A  
COPY OF THE PRESIDENTIAL STATEMENT TO APPROPRIATE GOS  
OFFICIALS.

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